

CAY ON HBL 159

A56

1997

ANNUAL REPORT

URBAN
MUNICIPAL



1 9 9 7

INDUSTRY



The Hamilton Harbour Commissioners manage the harmonious use of the Port of Hamilton with concern for Industry, Shipping, the Environment and Recreation.

In this year's Annual Report, we are pleased to present comments and reflections from individuals representing these vital aspects of commercial and public use the Harbour.



David Mothersill
Manager of Corporate Projects
Dofasco

The Port of Hamilton and the Seaway System provide the vital infrastructure for transportation of the raw materials that drive Hamilton's industrial and economic engines. An efficient, low cost water transportation system is imperative to permit Hamilton to participate in the global export and import markets. The commercialization of the St. Lawrence Seaway Authority will provide a model for managing the other components of the Seaway System.

Hamilton Harbour will continue to run an efficient Port under the new C.P.A. Corporation and will provide for the needs of all stakeholders such as industrial representatives on the Board in conjunction with Government representatives. The prosperity of the Port of Hamilton is very promising for the future.

SHIPPING



Blair McKeil
President
McKeil Marine

Hamilton has been our home port since my father started the business with one work boat in 1956. Today, our fleet of tugs, barges and work boats are headquartered at Pier 15 in Hamilton Harbour. This is central to our operations in the Great Lakes, St. Lawrence and the East Coast.

We have seen the Port of Hamilton grow in tandem with our own business over the past forty years. It has been a great relationship for McKeil Marine and we look forward to shared success into the next millennium.



URBAN MUNICIPAL

DEC 16 1998

GOVERNMENT DOCUMENTS

ANNUAL REPORT
1997

The Hamilton
Harbour
Commissioners

Patrick J. Dillon
CHAIRMAN

Laurel Wilson
COMMISSIONER

Brian Hinkley
COMMISSIONER

R. R. Hennessy, P. Eng.
PORT DIRECTOR



Message from the Chairman and Port Director

The Port of Hamilton posted mixed results for 1997. Total tonnage declined slightly but this was offset by a modest growth in revenues.

The volume of cargo handled through the Port during the year was 11.5 million tonnes, down 10% from the previous year. All commodity groups; dry bulk, liquid bulk and general cargo, reflected this downturn. In contrast, total revenues for the year increased to \$11.8 million, an increase of 8%; the highest level in the Port's 85 year history. Net income was also up, increasing by 7% to \$2.4 million.

Revenue growth can largely be attributed to growth and diversification of business since the Port's tariffs have not been increased since 1990. It is interesting to note that the cargo rate tariff for iron ore, the Port's principle cargo, was 10¢ per ton in 1914 and today stands at a little over 5¢ per metric ton.

The year 1997 saw additional expansion of Port facilities. Notable new projects under way during the year were a new grain handling facility and a warehouse/service/office centre, both constructed at Pier 25. The grain elevator is being built by James Richardson International. It will have initial storage capacity of 17,000 tonnes and is scheduled to commence operation in July of 1998.

The warehouse/service/office centre is being constructed for Philip Utilities Management Corporation as a home base for some of its utilities maintenance and general contracting operations.

We would also like to welcome L.P. Services, who established a steel warehousing business on Pier 24 during the year.

The Port looks forward to a long and successful relationship with all of these companies.

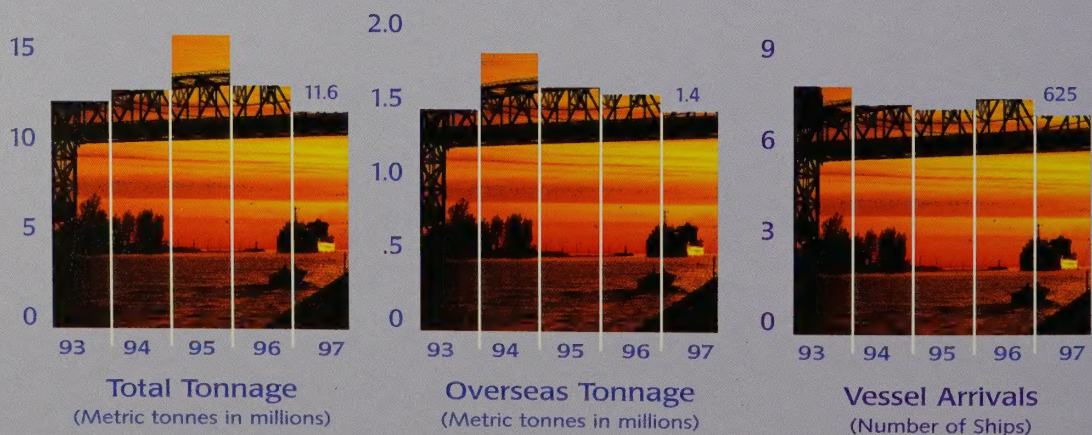
The Commissioners also purchased an industrial strip mall at Pier 15; adding to both our revenue and land base in this area of the harbour.

A total of 6.3 million dollars was spent in capital works during the year. One of the most significant projects was the commencement of another 400 metres of seaway draft marginal wharf at Pier 26. Based on several strong growth years, the Commissioners have anticipated continued demand for additional wharf areas from the Port's waterfront industries.



R.R. Hennessy
Port Director

5 year Summary



An additional 1.7 million dollars was expended on the maintenance of the Port's existing infrastructure. The Port now maintains some 550 acres of property, nearly 7 kilometers of shipping berths and over 100,000m² of buildings.

Municipal taxes generated from Port lands amounted to \$2.6 million for the year.

On the recreational front, operations at our Harbour West Marina complex enjoyed another successful season. Slip rentals, although still below capacity, increased for the year. Sailing School operations enrolled a total of 2,100 students. The School's cruising program on Georgian Bay saw increased interest due to the addition of another Merlin 36 to the school's fleet of vessels.

Harbour West commenced a boat sales/brokerage business operation in 1997, which by year end had already successfully completed several transactions. We would also like to welcome the Ontario Sailing Association, which moved its offices into our Harbour West site during the year.

We would like to recognize and thank Commissioners Laurel Wilson and Duncan Beattie for their support and efforts. Mr. Beattie is leaving the Board after nine and one half years.

We welcome Mr. Brian Hinkley as the new Board appointee from the City of Hamilton. We would also like to thank the Port's labour and management staff for their efforts, as reflected in the strong financial performance achieved in 1997.

In late 1997 the House of Commons passed the Canada Marine Act, which is expected to be proclaimed into law in early 1998. This Act will revoke the Hamilton Harbour Commissioners' Act and Hamilton will become one of 18 new port authorities set up under the new legislation. The full financial impact of this action has not yet been ascertained, however there is the likelihood of increased costs at the Port resulting from increases in taxation and dividends payable by the new port authority. We are confident these costs can be met.

The Canadian economy remains strong and we anticipate another prosperous year for the Port again next year. We look forward to meeting the challenges arising from our new mandate.



Patrick J. Dillon
Chairman

A handwritten signature in black ink, appearing to read 'Patrick J. Dillon'.

Patrick J. Dillon
Chairman

A handwritten signature in black ink, appearing to read 'R.R. Hennessy'.

R.R. Hennessy
Port Director



Balance Sheet

as at December 31, 1997

	1997 \$	1996 \$
Assets		
Current assets		
Cash	835,402	621,617
Accounts receivable -		
Trade	1,071,715	974,255
Interest	69,562	36,855
Other	48,221	106,360
Inventories	145,733	147,559
Prepaid expenses	156,113	149,839
Deferred harbour dredging expenses	303,162	287,674
Current portion of investment in capital lease (Note3)	<u>81,933</u>	<u>77,160</u>
	2,711,841	2,401,319
Net investment in capital lease (Note 3)	534,790	616,659
Investments appropriated for future harbour improvements (Note 4)	12,300,000	13,548,973
Fixed assets (Note 5)	<u>59,092,089</u>	<u>55,273,335</u>
	<u>74,638,720</u>	<u>71,840,286</u>

Liabilities

Current Liabilities		
Accounts payable and accrued liabilities	1,661,767	1,216,273
Current portion of debentures payable (Note 6)	<u>50,000</u>	<u>50,000</u>
	1,711,767	1,266,273
Debentures payable (Note 6)	<u>75,000</u>	<u>125,000</u>
	<u>1,786,767</u>	<u>1,391,273</u>

Equity

General capital	60,551,953	56,900,040
Reserve for future harbour improvements (Note 4)	<u>12,300,000</u>	<u>13,548,973</u>
	72,851,953	70,449,013
	<u>74,638,720</u>	<u>71,840,286</u>

Statement of General Capital

For the year ended December 31, 1997

	1997 \$	1996 \$
General capital - Beginning of year	56,900,040	57,801,521
Excess of revenue over expenses for the year	<u>2,402,940</u>	<u>2,247,536</u>
	59,302,980	60,049,057
Allocation (to) from reserve for future harbour improvements (Note 4)	<u>1,248,973</u>	<u>(3,149,017)</u>
General capital - End of year	<u>60,551,953</u>	<u>56,900,040</u>



Statement of Revenue and Expenses

For the year ended December 31, 1997

	1997 \$	1996 \$
Revenue from operations	11,105,997	10,273,313
Operating expenses	<u>4,240,272</u>	<u>4,115,648</u>
Income from operations	6,865,725	6,157,665
Administrative, office and general expenses	2,639,857	2,351,535
Interest on debentures payable	6,703	8,766
Depreciation	2,549,623	2,261,991
Financing income from capital leases	(39,424)	(43,847)
Other income	<u>(693,974)</u>	<u>(668,316)</u>
Excess of revenue over expenses for the year	<u>2,402,940</u>	<u>2,247,536</u>

Auditor's Report To the Commissioners

March 13, 1998

We have audited the balance sheet of The Hamilton Harbour Commissioners as at December 31, 1997 and the statements of revenue and expenses, general capital and changes in financial position for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 1997 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Further, in our opinion, the transactions of the corporation that have come to our notice during our examination of the financial statements have, in all material respects, been in accordance with Section 29 of "The Hamilton Harbour Commissioners' Act".

Hamilton, Ontario
March 13, 1998

Coopers & Lybrand
Chartered Accountants



Statement of Changes in Financial Position

For the year ended December 31, 1997

	1997 \$	1996 \$
Operating activities		
Excess of revenue over expenses for the year	2,402,940	2,247,536
Items not affecting cash -		
Depreciation	2,549,623	2,261,991
Gain on disposal of fixed assets	(208,574)	(20,074)
Deferred harbour dredging expense	<u>(15,488)</u>	<u>(287,674)</u>
	4,728,501	4,201,779
Decrease in non-cash working capital items related to operations	<u>369,018</u>	<u>738,888</u>
Cash provided by operating activities	<u>5,097,519</u>	<u>4,940,667</u>
Investing activities		
Purchase of fixed assets	(6,377,071)	(1,475,843)
Proceeds on disposal of fixed assets	217,268	45,159
(Increase) decrease in investments appropriated for future harbour improvements	1,248,973	(3,149,017)
Decrease in net investment in capital lease	<u>77,096</u>	<u>74,758</u>
Cash used in investing activities	<u>(4,833,734)</u>	<u>(4,504,943)</u>
Financing activities		
Repayment of debentures payable	<u>(50,000)</u>	<u>(50,000)</u>
Cash used in financing activities	<u>(50,000)</u>	<u>(50,000)</u>
Net Increase in Cash	213,785	385,724
Cash - Beginning of year	<u>621,617</u>	<u>235,893</u>
Cash - End of year	<u>835,402</u>	<u>621,617</u>



Notes to Financial Statements

For the year ended December 31, 1997

1. The Hamilton Harbour Commissioners' Act

The Hamilton Harbour Commissioners ("the Commissioners") is a corporation established and operated pursuant to The Hamilton Harbour Commissioners Act 2, George V c.98, 1912. The Commissioners mandate is to govern and develop the harbour of Hamilton for the purposes of the Act and to provide a harbour with full facilities for the transportation industry.

2. Significant accounting policies

(a) Fixed assets

Fixed assets are recorded at acquisition cost. Depreciation is provided on a straight-line basis at rates designated to amortize the cost over the useful lives of the assets as follows:

Docks and improvements	2 - 20%
Buildings	2 1/2 - 20%
Equipment and vessels	10 - 20%

b) Capital development in process

The Commissioners include all costs to develop an asset in the capital development in process category until the project is substantially complete. At that time, the asset is transferred to fixed assets and depreciation is taken according to established policy.

(c) Inventories

Inventories of merchandise are recorded at the lower of cost, determined on a first-in, first-out, basis and replacement cost.

(d) Deferred harbour dredging expenses

Deferred harbour dredging expenses relate to the maintenance of the harbour channels. Total estimated cost for the project is \$1.2 million and this is being amortized over three years commencing in 1996. The current year's expense is \$400,000 (1996 - \$400,000).

3. Capital lease

In 1994, the Commissioners acquired certain crane equipment and entered into a five year direct financing lease.

Financing income related to the direct financing lease is recognized in a manner that produces a constant rate of return on the investment in the lease. The investment in the lease for purposes of income recognition is composed of net minimum lease payments and unearned financing income.

The net investment in the lease includes the following:

Total minimum lease payments receivable:

	\$
1998	117,000
1999	<u>548,603</u>
	665,603
Unearned income	<u>(48,880)</u>
	616,723
Current portion	<u>(81,933)</u>
	<u>534,790</u>

4. Reserve for future harbour improvements

During the year, the Commissioners transferred \$1.2 million from the reserve (1996 - \$3.1 million to the reserve) for future harbour improvements. The total balance in the reserve, amounting to \$12.3 million (1996 - \$13.5 million), is set aside for future capital expenditures. The reserve funds are invested in short-term deposits.

In 1997, the Commissioners approved a five year capital budget in the aggregate amount of \$35.6 million (1996 - \$32.1 million).

5. Fixed assets

	1997		1996	
	Cost	Accumulated depreciation	Net	Net
	\$	\$	\$	\$
Land	18,073,380		18,073,380	17,870,533
Docks and harbour improvements	38,467,320	18,369,223	20,098,097	20,437,637
Buildings	22,169,337	11,300,893	10,868,444	7,414,996
Equipment and vessels	7,392,751	5,558,694	1,834,057	1,883,254
Capital development in progress	8,218,111		8,218,111	7,666,915
	<u>94,320,899</u>	<u>35,228,810</u>	<u>59,092,089</u>	<u>55,273,335</u>

6. Debentures payable

	1997 \$	1996 \$
4 and 1/8% Government of Canada debentures payable, to be repaid before the year 2005	125,000	175,000
Less: Current portion	<u>50,000</u>	<u>50,000</u>
	<u>75,000</u>	<u>125,000</u>

7. Pension plans

The Commissioners has non-contributory defined benefit pension plans for salaried employees and C.U.P.E. Local 958 members. Pension costs are computed on the projected benefit method based on an average expected remaining service life of the employee groups of 16 years for salaried employees and 19 years for C.U.P.E. Local 958 members.

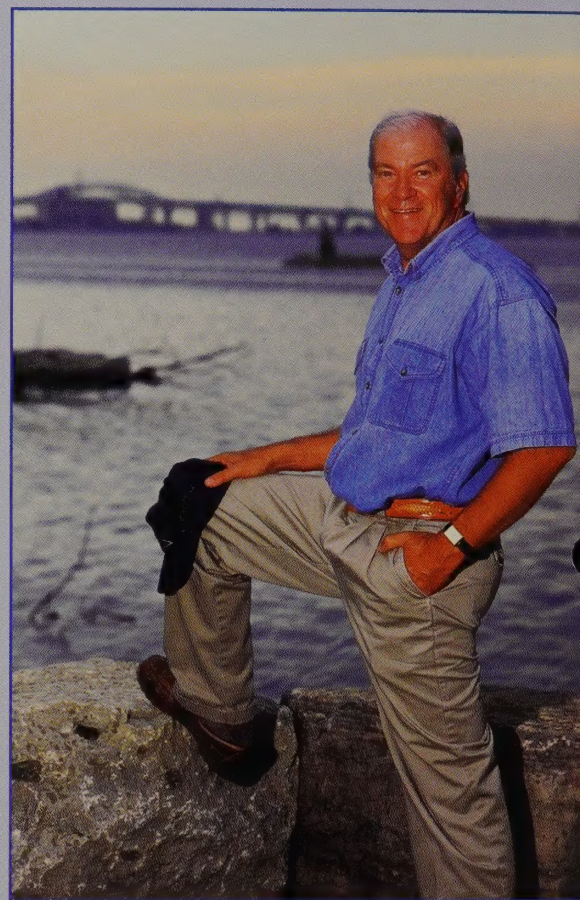
The status of the plans, based on year end estimates provided by the Commissioners' actuary, are as follows:

	Salaried employee plan	C.U.P.E. employee plan
Pension fund assets -	\$	\$
at market value	5,754,739	434,318
Projected benefit obligation	4,747,482	403,630

The excess of pension fund assets over the projected benefit obligation of the plans is expected to be utilized to fund current service contributions and/or enhance future pension benefits.



ENVIRONMENT



John D. Hall M.C.I.P., R.P.P.
Project Manager
Fish and Wildlife Habitat Restoration Project
for Hamilton Harbour and Cootes Paradise

Imagine new habitat for wildlife, more diverse fish communities and restored wetland vegetation. This dream is becoming a reality in Hamilton Harbour!

The Hamilton Harbour Commissioners can be proud of their recent role in restoring natural attributes to the Harbour. As the management of Hamilton Harbour approaches a new era, a new ethic has evolved which recognized that the Harbour should...yes, *will*... become the focal point for the health and prosperity of the "Bay" area. And this health and prosperity includes, along with the efficient and profitable operation of shipping and port facilities, the continued restoration of our fish, wildlife, and recreational resources.

RECREATION



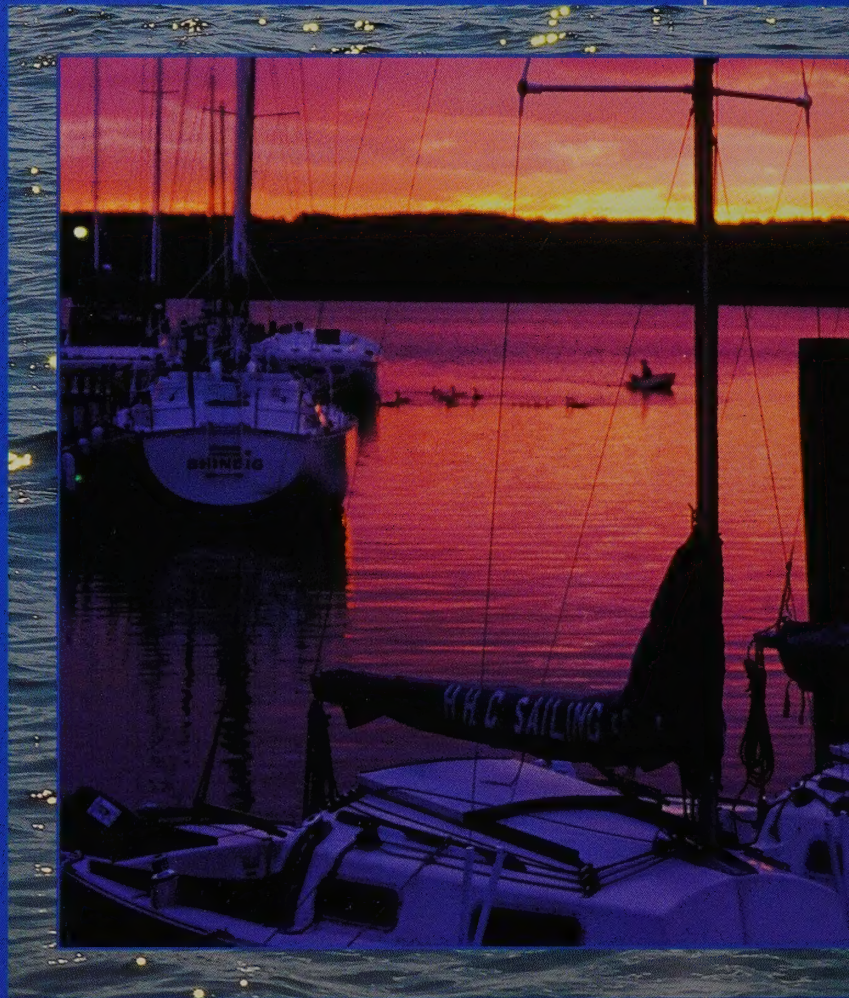
George and Gloria Love
G.A. Love Foods Inc.
"The Barn Fruit Markets"
Recreational boaters moored
at Harbour West Marina

Gloria and I like being close to downtown - easy access to restaurants and entertainment. We like the marina's central location to both Toronto and Niagara-on-the-Lake - makes it handy for entertaining guests.

The hospitality at Harbour West is just great - we enjoy the BBQ's on the dock and the handy access to the Chamber of Commerce dining room and other activities, such as Aquafest at Harbourfront Park.

We would rank Harbour West as No.1 for maintenance, security, friendliness. "Never had a bad experience".





605 James St. North,
Hamilton, Ontario, Canada L8L 1K1
Telephone: (905) 525-4330
or 1-800-263-2131

Main Office - Fax.: (905) 528-6282
Harbour Operations - Fax.: (905) 525-7258

Harbour West Marine Dockyard
Fax.: (905) 527-8132

Harbour West Sailing Adventures
Fax.: (905) 525-2298